

Media Advisory



[Barron's](#)

The Endgame Nears for Fannie and Freddie.

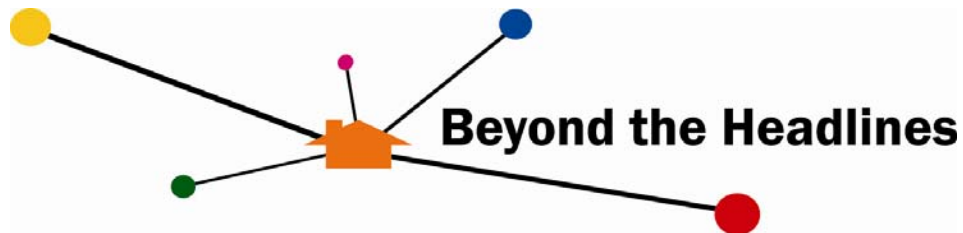
Shares of Fannie Mae and Freddie Mac have declined by approximately 90 percent from the previous year and both companies are reporting quarter-over-quarter losses, leading some to believe that a government take-over or complete privatization is imminent.

KEEP THIS IN MIND

- According to the Barron's article, which states "should the agencies fail to raise fresh capital, the administration is likely to mount its own recapitalization, with Treasury infusing taxpayer money into the enterprises," consumers would be led to believe that a government bail out is the only option. Although a cash infusion may be needed, it is not likely that the Treasury would purchase an equity stake in either Fannie or Freddie. Additionally, the Treasury Dept. must negotiate an agreement with the GSEs. Fannie and Freddie continue to raise capital on their own and some reports show that the GSEs are looking for private-equity firms or outside investors to provide the financing, which would help raise capital and reassure Wall Street.
- The article also states, "In the early 1980s Fannie was effectively insolvent, but the government allowed it to continue operating." Many consumers are not aware of how the GSEs serve the market or what their roles are. Unlike banks, which lend directly to consumers, Fannie Mae and Freddie Mac operate in what is known as the "secondary mortgage market." They purchase or guarantee loans from direct lenders in the "primary mortgage market" and either hold onto them until they mature, or sell the loans in the form of mortgage-backed securities. By the GSEs guaranteeing or purchasing the loans from banks, Fannie and Freddie are able to fulfill their congressional mission and supply an affordable and stable source of capital to lenders, allowing them to offer more home loans.
- Due to tighter lending standards, it is becoming increasingly more difficult for borrowers to secure home loans. If Fannie Mae and Freddie Mac did not guarantee or purchase primary lenders' loans, the cost of homeownership would dramatically increase as lenders would experience an even greater capital shortage.
- Many financial institutions in the mortgage business are experiencing losses, and while the GSEs are no exception, their portfolios continue to outperform the majority of lenders in the market. Additionally, unlike private investors which seem to have abandoned the mortgage market, Fannie Mae and Freddie Mac are fulfilling their congressional mission to provide an affordable and stable flow of capital to home-loan lenders.

To read the full story, please click here:

http://online.barrons.com/article_print/SB121884860106946277.html



[Yahoo News](#)

Consumer outlook up, worst may be over for housing

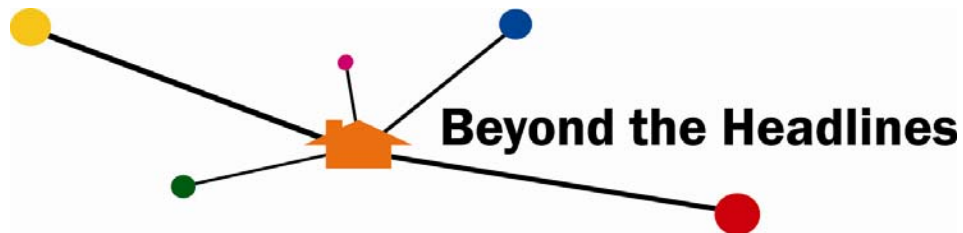
Primarily a result of lower gas prices, consumer confidence increased in August, with The Conference Board's consumer confidence index rising to 56.9, up from the revised 51.9 reading in July. Following a six-month decline, August was the second consecutive month that the index increased. A reading of 100 is considered the highest rating possible. In a separate report, new home sales posted an unexpected increase in July, while the Standard & Poor's/Case-Shiller U.S. National Home Price Index showed prices declined at a slower rate in the second quarter, indicating that some areas may have reached the trough in home price declines.

KEEP THIS IN MIND

- The Conference Board's consumer confidence index measures how consumers perceive the current conditions and future expectations of the US economy. The index is based on a survey of 5,000 U.S. households.
- The monthly survey details consumer attitudes and buying intentions. Increased consumer confidence generally indicates that consumers are more willing to make purchases. Decreased confidence indicates that consumers are likely to slow their spending.
- Although The Conference Board's Present Situation Index declined to 63.2 in August, compared with 65.8 in July, consumers expect the economy to improve over the next six months, as indicated by The Conference Board's Expectations Index. The Expectations Index increased by 10 points, the largest increase since November 2005.

To read the full story, please click here:

http://news.yahoo.com/s/ap/20080826/ap_on_bi_ge/economy_5;_ylt=AjNSEZx6qZC4Cx7K1sLqPF.z1g4B



[USA Today](#)

Home prices in record tumble, but some find hints of recovery

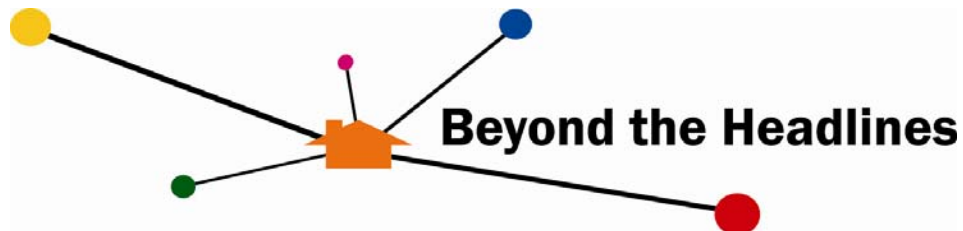
Although home prices decreased 15.4 percent during the second quarter compared with the same period a year ago, in month-over-month comparisons, home sales are increasing, according to the Standard & Poor's/Case-Shiller U.S. National Home Price Index. According to the Office of Federal Housing Enterprise Oversight's home price index, states with the largest annual declines include California at 16 percent; Florida at 12 percent; Arizona at 9 percent; and Rhode Island at 5 percent. Existing home sales increased in July and exceeded many economists' expectations, while new home sales also increased 2.4 percent for the same time period.

KEEP THIS IN MIND

- Although home prices are decreasing, existing home sales are increasing nationwide and in California. In California, single-family, existing home sales increased 43.4 percent in July compared with the same period a year ago. Sales in July remained above the 400,000 level for the third consecutive month, with deeply-discounted, distressed sales continuing to drive volume in many regions of the state.
- The state's Unsold Inventory Index (UII) for existing, single-family detached homes decreased to 6.7 months in July 2008, compared with 10 months (revised) for the same period a year ago. The UII indicates the number of months needed to deplete the supply of homes on the market at the current sales rate.

To read the full story, please click here:

http://www.usatoday.com/money/economy/housing/2008-08-26-homes_N.htm



In Other News...



[San Jose Mercury News](#)

Lenders remain wary of real estate investors

To read the full story, please click here:

http://www.mercurynews.com/realestatenews/ci_10278013



[Reuters](#)

More owners say their homes depreciated: survey

To read the full story, please click here:

<http://www.reuters.com/article/gc03/idUSN2293620080825>



[Forbes](#)

America's Most Distressed Housing Markets

To read the full story, please click here:

http://www.forbes.com/2008/08/21/lifestyle-distressed-cities-forbeslife-cx_mw_0821realestate.html

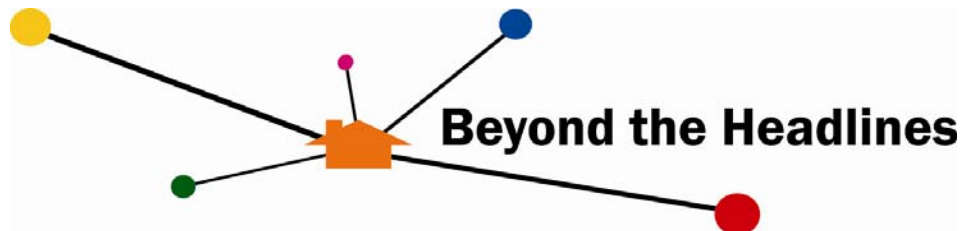


[Reuters](#)

Home buyers hold fate of U.S. economy

To read the full story, please click here:

<http://www.reuters.com/article/reutersEdge/idUSN2140034320080825>



Other News continued...



[CNN Money](#)

Paulson's Fannie-Freddie fix

To read the full story, please click here:

<http://money.cnn.com/2008/08/22/news/newsmakers/paulson.fannie.fortune/index.htm>

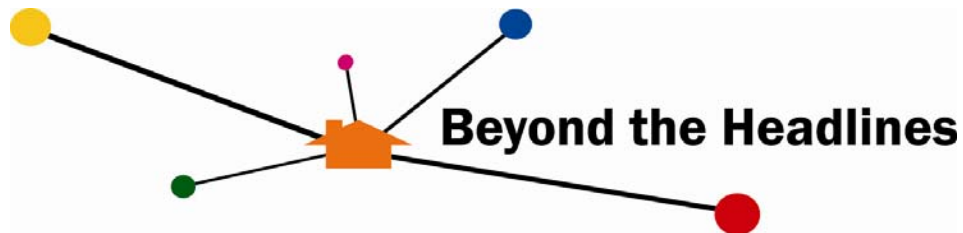


[San Francisco Chronicle](#)

Home sales in state soar as prices plunge

To read the full story, please click here:

<http://www.sfgate.com/cgi-bin/article.cgi?f=/c/a/2008/08/26/MNQI12I0BI.DT>



What you need to know about the market

- Despite the high inventory of homes on the market, sales of deeply discounted, distressed properties are increasing and the Unsold Inventory Index—which indicates the number of months needed to deplete the supply of homes on the market at the current sales rate-- is declining. With sellers often in competition with banks when selling their home, it is important for sellers to be aware of some best practices to help them sell their home. With guidance from their REALTOR®, consumers need to carefully consider the importance of realistically pricing a home; properly staging their house prior to putting it on the market; and playing up the home's strengths.
- While it may be common knowledge to REALTORS® that the first offer is often the best, some sellers may not feel the same way. Many believe that if the first potential buyer makes an offer close to the asking price, future offers may exceed it. In many instances, this is not the case, and subsequent offers often are for less, especially in a declining market.